59 XR PET 6 LIBYA PET 15-1 LIBYA

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EXCISE

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ACTION AF-10

INFO OCT-01 EUR-20 AID-28 E-15 NSC-10 RSC-01 SS-20 STR-08
L-04 H-02 CIAE-00 COM-08 FRB-02 INR-07 NSAE-00
TRSY-11 XMB-06 P-03 PRS-01 USIA-12 INT-06 IGA-02
RSR-01 /186 W

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P R 061612Z JUL 78 ZFF-1
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 6553
INFO USINT ALGIERS
AMEMBASSY BENGHAZI
AMEMBASSY LONDON
AMEMBASSY ROME

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 8/7/81
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L TRIPOLI 1573

SUBJ: NATIONALIZATION OF PETROLEUM DISTRIBUTION COMPANIES

REF: STATE 186587

1. COPIES OF PRELIMINARY ESSO TRANSLATIONS ON RCC NATIONALIZATION DECREE, LNOC STATEMENTS AND LETTERS TO COMPANIES IMPLEMENTING DECREE, BACKGROUND ON ESSO'S MARKETING OPERATIONS, AND IMMEDIATE PRESS REACTION POUCHED TO DEPT FOR AF/N AND EUR/RPE JULY 6.

2. BRITISH AND ITALIAN EMBASSIES TELL US THEY PRESENTLY DO NOT PLAN DEMARCHES ON NATIONALIZATIONS. WE WILL MAKE POINTS SUGGESTED REFTEL TO LARG REPS DURING SESSION ON TERMINATION OF US-LIBYAN AGREEMENTS AND CLAIMS SETTLEMENT NOW TENTATIVELY RESCHEDULED BY LARG FOR 2030Z LOCAL JULY 8.

3. ESSO [redacted] INFORMED EMBASSY OF LENGTHY AND SATISFACTORY DISCUSSION JULY 5 WITH LNOC DEPDIRGEN MUNTASIR ON MEANS TO EFFECT NATIONALIZATION WITH MINIMUM DISRUPTION OF LOCAL POL DISTRIBUTION. AGREEMENT REACHED AND IMPLEMENTED ON INVENTORY OF DISTRIBUTION TERMINAL STOCKS, AND CONTINUED

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DELIVERY OF PRODUCTS BY ESSO FROM ABROAD AND FROM ITS MARSA BREGA REFINERY. DELIVERIES TO DISTRIBUTORS FROM TERMINALS AND DISCHARGE OF PRODUCTS AT TRIPOLI FROM BOTH SOURCES RESUMED JULY 6 AGAINST SUPPLY REQUESTS FROM LNOC. MEANWHILE, TAKEOVER OF ESSO'S DISTRIBUTION ORGANIZATION BY FIVE-MAN LNOC-APPOINTED COMMITTEE PROCEEDING SMOOTHLY. COMMITTEE INCLUDES TWO ESSO MARKETING EMPLOYEES (ONE AS CHAIRMAN), HEAD OF LNOC MARKETING DEPARTMENT AND TWO LARG OFFICIALS.

4. BRITISH AND ITALIAN EMBASSIES REPORT ARRANGEMENTS BY SHELL AND ASSEILI (AGIP'S MARKETING ORGANIZATION, WHICH IS 50 PERCENT LOCALLY OWNED) ROUGHLY PARALLEL THOSE OF ESSO. ONLY OPERATIONAL PROBLEM ENCOUNTERED THUS FAR IS CLOSING OF INTERNATIONAL TELECOMMUNICATIONS TO ESSO AND SHELL. (WE ARE NOT CERTAIN ABOUT AGIP IN THIS REGARD). ACCESS TO OFFICES OF THESE TWO COMPANIES ALSO WAS BLOCKED NIGHT OF JULY 4-5 BY LIBYAN ARMY, BUT GUARDS REMOVED MORNING JULY 5. HOWEVER, BOTH STILL WERE UNABLE TO SEND OR RECEIVE INTERNATIONAL TELEPHONE OR TELEX MESSAGES AS OF 1200 LOCAL JULY 6. ESSO COMMUNICATING WITH NEW YORK VIA COURIER AND SHIPS' RADIOS. IT HAS NOT TAKEN ADVANTAGE OF EMBASSY'S OFFER TO ASSIST WITH COMMUNICATIONS NOR HAS IT SOUGHT OUR INTERVENTION WITH LARG.

5. SEVERAL PROBLEMS ARE YET TO BE ADDRESSED.

A) STATUS OF SIX AMERICAN ESSO EMPLOYEES IN MARKETING ORGANIZATION. UNDER TERMS OF NATIONALIZATION DECREE, THEY APPEAR NOW TO BE RESPONSIBLE TO LNOC, AND THEIR FREEDOM TO DEPART LIBYA REMAINS TO BE TESTED.

B) PROMPTNESS OF COMPENSATION. DECREE SPECIFIES SPECIAL COMPENSATION COMMITTEE IS TO DECIDE AMOUNT OF COMPENSATION (VALUE OF ASSETS RECEIVED BY LNOC LESS OUTSTANDING OBLIGATIONS) WITHIN THREE MONTHS OF ITS FORMATION. DECREE DID NOT NAME MEMBERS OF COMMITTEE, AND WE UNDERSTAND IT HAS NOT YET BEEN OFFICIALLY FORMED. (WE ARE REMINDED OF PENDING SEVENTH DAY ADVENTIST CLAIM FOR NATIONALIZATION OF BENGHAZI HOSPITAL SIX MONTHS AGO. THIS DECREE ALSO SPECIFIED THREE MONTHS FOR DETERMINATION OF COMPENSATION, WHICH HAS NOT BEEN DONE. WE PLAN TO DRAW THIS MATTER TO LARG'S ATTENTION AGAIN WHEN NOTING USG INTEREST IN POLI MARKETING NATIONALIZATIONS).

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C) EFFECTIVENESS OF COMPENSATION, NATIONALIZATION DECREE SPECIFICES COMPENSATION COMMITTEE'S FINDINGS ARE FINAL AND NOT SUBJECT TO APPEAL -- RAISING POSSIBILITY OF UNDERVALUATION OF ASSETS. FYI --

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END FYI.

6. ESSO LIBYA IS DISAPPOINTED AND SURPRISED OVER NATIONALIZATION BUT IS MAINTAINING COOPERATIVE AND FAIRLY RELAXED ATTITUDE, AS ARE SHELL AND ASSEL. HOWEVER, COOPERATION IS TO BE BUSINESSLIKE WITH INSISTANCE UPON PROMPT PAYMENT BY LNOC FOR PRODUCT DELIVERIES. WHILE LNOC DOES NOT APPEAR TO HAVE MADE EITHER ADMINISTRATIVE OR FINANCIAL PREPARATIONS TO TAKE OVER PRODUCT DISTRIBUTION, DEPDIRGEN MUNTASIR CONFIDED [redacted] HE HAD LEARNED ABOUT NATIONALIZATION "ONLY 24 HOURS BEFORE COMPANIES." [redacted] MINPET B4
NABRUUK, UNDER WHOSE JURISDICTION LNOC FALLS, MASTERMINDED NATIONALIZATION TO DEMONSTRATE HIS REVOLUTIONARY ZEAL AND TO GAIN VICTORY WHICH SO FAR HAS ELUDED HIM IN POSTED PRICE NEGOTIATIONS AND DISPUTE WITH ESSO OVER LNG EXPORTS.

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